

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

REVIEW REPORT

OF

INDIANA DEPARTMENT OF HOMELAND SECURITY

January 1, 2005 to January 31, 2007



**FILED**  
09/05/2007



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#### AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Phillip K. Roberts (Interim)	01-04-05 to 03-27-05
	J. Eric Dietz	03-28-05 to 01-11-09



# STATE OF INDIANA

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## INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA DEPARTMENT OF HOMELAND SECURITY

We have reviewed the receipts, disbursements, and assets of the Indiana Department of Homeland Security for the period of January 1, 2005 to January 31, 2007. The Indiana Department of Homeland Security's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Indiana Department of Homeland Security are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

April 26, 2007

INDIANA DEPARTMENT OF HOMELAND SECURITY  
REVIEW COMMENTS  
JANUARY 31, 2007

CREATION OF THE DEPARTMENT OF HOMELAND SECURITY

Effective April 15, 2005, the Indiana Department of Homeland Security (IDHS) was created under Indiana Code 10-19. Public Law 22-2005 abolished the State Emergency Management Agency, Fire and Building Services Department, and Public Safety Institute and transferred their duties and functions to the IDHS. This report includes the review of these three entities from January 1, 2005 through April 14, 2005.

ATTENDANCE REPORTS

We observed that employee payroll attendance reports were frequently signed and dated prior to the last day worked. We also observed that some attendance reports were approved by their supervisor before the employees' signature.

Employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

SDO ADVANCE

As stated in our prior Report B25207 for the State Emergency Management Agency, and as found during the current review, the SDO advance was not turned over, or reimbursed completely, for several months.

If the total SDO advance is not used within one or two months then the SDO advance is too large and should be reduced. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

INDIANA DEPARTMENT OF HOMELAND SECURITY  
REVIEW COMMENTS  
JANUARY 31, 2007  
(Continued)

SDO RECONCILIATIONS

As stated in our prior Report B25207 for the State Emergency Management Agency, and as found during the current review, there is no documented evidence that reconciliations of the SDO Fund are performed each month in a proper and timely manner. The reconciliations we reviewed were all dated as prepared in February 2007. Upon inquiry IDHS indicated that they were unable to print the check register from the Encompass system and so were not able to maintain documented evidence.

We also observed that there is no independent verification or approval of the reconciliations.

Two reconciliations for the SDO fund must be performed each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register balance must be reconciled to the SDO advance. These reconciliations must be formally documented, and if possible, independently verified. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

FIXED ASSETS

As stated in our prior Report B25207 for the State Emergency Management Agency, and as found during the current review, IDHS is not reporting additions, changes, or retirements of fixed assets over \$20,000 to the Auditor of State quarterly.

The Auditor of State needs financial information relating to the state's real and personal property for financial reporting purposes. Therefore, the Department of Administration and the Auditor of State's Office have an agreement whereas the Auditor will collect asset information through the cooperation of all state agencies. Each agency is required to report to the Auditor of State any additions (purchases), retirements, or changes (traded-in, surplus, transferred, etc.) each quarter. The additions, changes, and retirements are to be reported on the Capital Asset Inventory Form (State Form 39598). If you have nothing to report, a signed letter with your agency number must be submitted saying you have no action. The only items to be reported to the Auditor for inclusion in the State's inventory are assets with a cost of \$20,000 or more. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

INDIANA DEPARTMENT OF HOMELAND SECURITY  
EXIT CONFERENCE

The contents of this report were discussed on July 9, 2007, with J. Eric Dietz, Executive Director. The official response has been made a part of this report and may be found on pages 7 and 8.



MITCHELL E. DANIELS, Jr., Governor  
**STATE OF INDIANA**

DEPARTMENT OF HOMELAND SECURITY

J. ERIC DIETZ, EXECUTIVE DIRECTOR

Indiana Government Center South  
302 West Washington Street  
Indianapolis, IN 46204  
317-232-3980

July 25, 2007

Bruce Hartman  
State Examiner  
Indiana State Board of Accounts,  
302 W. Washington St. Room E418  
Indianapolis, IN 46204-2765

Re: State Compliance Audit of Indiana Department of Homeland Security, January 2005-  
January 2007

Dear Mr. Hartman,

Thank you for the efforts of the State Board of Accounts audit team during the recently completed State Compliance Audit of IDHS. This letter is intended to acknowledge the audit comment items and to provide our plan to address these deficiencies.

**a. Employee Attendance Reports.** The review comments stated that employee payroll attendance reports were frequently signed and dated prior to the last day worked. According to the State Accounting Manual (Page 9:4),

*"The attendance report should not be signed or dated before the last day worked in the pay period. If an employee is going to be on vacation or other approved leave on the last regular working day of the pay period, the employee should sign the attendance report on the last day worked."*

The audit also stated that some attendance reports were approved by the supervisor before the employee's signature. According to the State Accounting Manual (Page 9:4),

*"After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee or by another designated individual who has knowledge of the employee's attendance."*

An agency's compliance with these payroll rules is primarily the responsibility of the Payroll Coordinator. A new one has recently been hired and will be instructed to make this a priority review item. IDHS is also scheduled to convert to electronic time and labor later this summer. That will entail electronic filing and approval of time records under the PeopleSoft Human Resources module. I expect that change will help to prevent a repetition of this audit comment.

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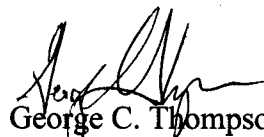
b. **SDO Advance & SDO Reconciliations.** The review comments stated the SDO advance was not turned over or reimbursed completely for several months. The review comments also stated the reconciliations of the SDO account were not done each month and that there were no independent verifications of the reconciliations. These comments are well founded. Lisa Bradley was appointed as the IDHS Procurement Manager on September 25, 2006. Her duties included being the authorized signer on the IDHS SDO Account. One of her performance expectations was to effectively manage the SDO Account. After several months, she was placed on a work improvement test to improve her performance in this and in a number of other areas. Unfortunately, her working test was not successful and her last day of employment with IDHS was July 13, 2007. IDHS is now in the process of selecting a new Procurement Manager. IDHS is also planning to close the SDO account, as soon as IDOA authorizes IDHS to begin using the new P (Procurement) Visa Card, a corporate liability credit card, which will be issued to an IDHS Response Division official for emergency purchases.

c. **Fixed Assets.** The review comments stated that IDHS was not reporting additions, changes or retirements of fixed assets over \$20,000 to the Auditor of State Quarterly (as required by the State Accounting Manual, page 10:2). Lisa Bradley was appointed as the new Procurement Manager of IDHS on September 25, 2006. Her duties included being the IDHS Surplus Property Disposition Agent. One of her performance expectations was to improve IDHS fixed asset accountability, inventory status and asset reporting. When she began to fall below performance expectations, she was placed on a work improvement test to improve her performance in this and a number of other areas. Unfortunately, her working test was not successful and her last day of employment with IDHS was July 13, 2007. IDHS is now in the process of selecting a new Procurement Manager. Once hired, he or she will have the same performance expectations. The quarterly requirement to submit a fixed asset report will be highlighted, in hopes that this audit comment will not be repeated.

Thanks again for the assistance of the State Board of Accounts in connection with these issues. We are grateful for your assistance in helping IDHS to bring these areas into compliance with State Accounting Standards.

Please feel free to call me at 232-3497 should you have any questions or continuing concerns.

Sincerely,



George C. Thompson  
General Counsel and Director  
Administrative Services Division  
Indiana Department of Homeland Security

cc: Eric Dietz  
Nancy Stevens  
Judy Potts  
Cheryl Morris  
Margaret Ritcheson